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No. 06-1155

IN THE
Supreme Court of the United States
Oct. Term 2006

ZOLTEK CORPORATION,
Petitioner,

v.

UNITED STATES OF AMERICA,
Respondent.

BRIEF OF *AMICUS CURIAE* FEDERAL CIRCUIT BAR ASSOCIATION IN SUPPORT OF PETITIONER

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INTEREST OF AMICUS

The Federal Circuit Bar Association ("FCBA") is a national bar organization with more than 2600 members from all geographical areas of the country, all of whom practice before or have an interest in the decisions of the Court of Appeals for the Federal Circuit. The FCBA offers a forum for common concerns and dialogue between the bar and judges of the Federal Circuit. One of the FCBA's purposes is to offer assistance and advice to the federal

courts, including briefs *amicus curiae*, on matters affecting practice before the Federal Circuit and lower tribunals.[1]

A great many FCBA members practice patent or takings law, both of which fall within the Federal Circuit's jurisdiction. The FCBA and its members therefore have a particular interest in this case.

Pursuant to Supreme Court Rule 37.2(a), the FCBA has conferred with the parties regarding the filing of this brief *amicus curiae*, and both parties have consented to its filing. Evidence of the written consent of the parties has been filed separately herewith.

SUMMARY OF ARGUMENT

The Federal Circuit held that Zoltek's claims are barred by 28 U.S.C. § 1498. It also ruled that Zoltek could not bring a takings claim for patent infringement against the United States under the Tucker Act, 28 U.S.C. § 1491. In issuing the latter ruling, the Federal Circuit suggested that, as the court put it, patent "rights" are not "property interests." Pet. App. at A10-12.

Although Zoltek's petition focuses almost exclusively on the takings issues implicated in this case, Zoltek's allegations of unlawful use of its intellectual property by the United States here can and should proceed under 28 U.S.C. § 1498. By its express terms, 28 U.S.C. § 1498(a) provides an infringement remedy when a patented invention is "used or manufactured by or for" the United States. That is exactly

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[1] Pursuant to Supreme Court Rule 37.6, the FCBA states that no counsel for a party authored this brief in whole or in part. No person or entity, other than the *amicus curiae*, its members, or its counsel, made any monetary contribution to the preparation or submission of the brief.

what Zoltek claims has happened here – that its patented processes were used by or for the Government in the course of building F-22 fighter planes for the military. Zoltek's claims against the Government are not precluded by § 1498(c), which excludes from the statute's coverage "any claim arising in a foreign country." Zoltek's § 1498 claims arise in the United States, not in a foreign country, because Zoltek alleges that although the government's contractor, Lockheed Martin, "used" its patented processes in Japan, it then imported the resulting products into the United States and used those products in this country to build the fighter planes. Therefore, this case should be resolved by properly construing and applying § 1498. This Court should grant the writ of certiorari under Supreme Court Rule 10(c) to correct the Federal Circuit's erroneous interpretation of an important federal statute.

Lastly, the Federal Circuit's suggestion that patents are not property interests is so far contrary to this Court's precedents – and so unsettling to the rights of patent holders nationwide – that the Court should also take the opportunity to dispel the uncertainty created by the Federal Circuit's ruling.

ARGUMENT

The Court should grant certiorari pursuant to Supreme Court Rule 10(c) because the Federal Circuit incorrectly decided important questions governing the Federal Government's liability for patent infringement in a manner that has broad implications for both patent holders and claimants against the Government generally. The result of the Federal Circuit's rulings is that there is no cause of action, no waiver of sovereign immunity, and no jurisdiction in the Court of Federal Claims when the Government imports into the United States and uses in the United States products of a patented process.

In so holding, the three-judge panel below resolved the important questions raised by this case in *four* separate opinions that articulate widely differing views of the pertinent patent statutes, the jurisdiction of the Court of Federal Claims under 28 U.S.C. § 1498, and the scope of property protection provided by the Fifth Amendment. Thus, even apart from the Federal Circuit's refusal to recognize any remedy for Government infringement like that alleged here, the court's multiple and discrepant opinions provide no guidance on the important questions presented in this case.

The FCBA thus respectfully asks this Court to grant the writ not only to provide appropriate legal protection for patent rights, but also to resolve this case in a way that provides clear guidance in the important areas of law involved here.

I. THIS COURT SHOULD REAFFIRM THAT PATENTS ARE PROPERTY PROTECTED BY THE CONSTITUTION.

For reasons explained in the Petition, *see* Pet. at 17-22, 26-28, patents are property not only by the express terms of 35 U.S.C. § 261, but also under a long line of decisions of this Court and previous decisions of the Federal Circuit and its predecessor, the Court of Claims. *See* Pet. at 17-19. As property, patents may not be taken without just compensation. *See* U.S. Const. amend. V ("No person shall . . . be deprived of . . . property, without due process of law; nor shall private property be taken for public use, without just compensation.").[2] The Court should reaffirm those

[2] Notably, for example, in *Florida Prepaid Postsecondary Educ. Expense Bd. v. College Savings Bank*, 527 U.S. 627, 642 (1999), this (. . . continued)

principles in this case, both to assure that the Federal Circuit and other lower courts apply them properly in future cases, and also to underscore the need to apply § 1498 in a manner that avoids the constitutional issues arising from the Federal Circuit's improperly narrow reading of that statute. *See United States v. Security Industrial Bank*, 459 U.S. 70, 78 (1982) (applying, to avoid Takings Clause issue, "cardinal principle that this Court will first ascertain whether a construction of the statute is fairly possible by which the constitutional question may be avoided.") (quoting *Lorillard v. Pons*, 434 U.S. 575, 577 (1978)).

II. ZOLTEK HAS AN EXPRESS STATUTORY REMEDY IN 28 U.S.C. § 1498.

Although Zoltek's Petition emphasizes the Takings Clause issue, Zoltek's claims can and should be resolved on statutory grounds that avoid the need for this Court to address whether a takings claim is involved here.[3]

(continued . . .)
Court held that States' Eleventh Amendment immunity from suit in federal court with respect to patent infringement suits could only be validly abrogated if Congress were acting to enforce the Due Process Clause of the Fourteenth Amendment. Given that the Court's abrogation analysis was premised upon its view that "patents are a species of property" subject to the protections against unconstitutional State conduct provided by the Fourteenth Amendment, it is difficult to understand or reconcile how the Federal Circuit could hold in this case that patents are not property similarly subject to the same protections provided by the Fifth Amendment with respect to actions undertaken by or for the United States.

[3] The basic issue presented by the Petition is whether Zoltek may assert a claim against the United States, either for a constitutional taking or for compensation under 28 U.S.C. § 1498. The FCBA demonstrates here that Zoltek's claim is cognizable under § 1498. We take no position on the ultimate merits of Zoltek's claim, however, which may depend on
(. . . continued)

1. Despite the number and complexity of the various opinions below, Petitioner Zoltek's allegations simply call for a straightforward application of the language of 28 U.S.C. § 1498. Under § 1498(a), the Government is liable for patent infringement "[w]henever an invention . . . covered by a patent . . . is used . . . by or for the United States without license. . ." That is precisely what Zoltek alleges has happened here. It asserts that its patented processes have been used "by or for" the United States and that the products made by the patented process are being used to make the F-22 fighter planes that Lockheed Martin is building for the Government. Such assertions state a claim under the express terms of § 1498(a).

Under § 1498(c), the statute does not apply "to any claim arising in a foreign country." That exception is inapplicable here because Zoltek's claims against the Government arise in the United States based on conduct in this country. The conduct giving rise to liability under § 1498(a) is the use in the United States of products made from Zoltek's patented processes. Because that use of those products occurs in the United States, where the F-22 fighter planes are being made, Zoltek's claim arises in this country, not in another country where Zoltek's patented processes were used.

2. The Federal Circuit panel majority failed to reach this straightforward result because it failed to construe or apply the language of § 1498. Instead, as reflected in the one paragraph devoted to the statutory issue in the Federal Circuit's *per curiam* opinion, *see* Pet. App. at A6, the court resolved the question of the Government's statutory liability

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such issues as the validity of the patents involved, whether they have been infringed, etc.

by adopting the statement from an earlier Federal Circuit case that "direct infringement under section 271(a) [of Title 35] is a necessary predicate for government liability under section 1498." *Id.* at A6 (quoting *NTP, Inc. v. Research in Motion, Ltd.*, 418 F.3d 1282, 1316 (Fed. Cir. 2005)). Finding that not all the necessary elements of direct infringement under § 271(a) were present in this case, the *per curiam* majority below concluded that the Government could not be liable under § 1498 either. *See id.* Having thus held that § 1498(a) was inapplicable, the *per curiam* court below never reached the questions of whether, or how, § 1498(c) would apply to Zoltek's claims.

As an initial matter, the statement from *NTP* that the panel majority found determinative of the statutory issue in this case was a mere *dictum* – and a dubious *dictum* at that, as one of the Federal Circuit panel majority members, Judge Gajarsa, recognized in his separate concurring opinion. *See* Pet. App. at A13-20; *see also* Pet. App. at A46-47 (dissenting opinion of Judge Plager, rejecting majority's incorporation of § 271(a) into § 1498). *NTP* was an infringement action against a private party under Title 35. The Government was not a party, and § 1498 was not at issue.

More fundamentally, there is no basis in the statutory language for equating direct infringement liability under § 271(a) with Government liability under § 1498. To the contrary, the language of § 271(a) differs from the language of § 1498(a) in a way that is very material both in this case and with respect to process patents generally. Section 271(a) declares infringement to occur when one "without authority makes, uses, offers to sell, or sells any patented invention, *within the United States* . . . ." That geographical limitation has particular import in cases involving process patents that have multiple steps, because the Federal Circuit has held that

an infringing "use" of a process patent does not occur under § 271(a) unless and until all steps of the process were performed in the United States. *See, e.g., Smith & Nephew, Inc. v. Ethicon, Inc.*, 276 F.3d 1304, 1311 (Fed. Cir. 2001); *NTP*, 418 F.3d at 1318. Accordingly, the Federal Circuit has held that if an alleged infringer performs one step of a patented process overseas, there is no "use" of the patented process "within the United States," and thus no infringement under § 271(a) given the express geographic limitation set forth in that statutory provision. The *per curiam* majority below applied that rule in this case, because it believed that the requirements for infringement liability under § 271(a) are incorporated into § 1498.

Section 1498(a), however, contains no such geographic limitation. In a case like the present one where one or more steps of a patented process has been performed overseas, this difference is crucial. Even though under Federal Circuit case law there can be no infringing "use" of Zoltek's process patents until all steps of the processes are performed, § 1498(a) does not require that such use be "within the United States" as long as such use is "by or for the United States." So performance overseas of one or more (or even all) steps of Zoltek's patented processes does not preclude liability under the actual language of § 1498(a).

In short, the basis for liability under § 1498(a) is not the *location* where the patent owner's invention is "used or manufactured," but the *purpose* to which the invention is being put, *i.e.*, whether the invention is being "used or manufactured *by or for the United States*." There is no question that Zoltek has alleged such "use" in this case, even though certain steps of its patented process (and all steps of one of the patented processes) were performed overseas.

3. Geographic location is important, and indeed determinative, under § 1498(c). However, the issue under that subsection is not where a patented invention is "used" or where steps in a patented process are performed, but rather where the claim under § 1498 "arises." That is an altogether different inquiry that properly depends on where the violation of the patent right occurs or the injury giving rise to liability arises. *See Sosa v. Alvarez-Machain*, 542 U.S. 692, 711-712 (2004).

Zoltek's claims under § 1498(a) arise in the United States, not in a foreign country, because both the alleged violation of patent rights and the injury giving rise to Zoltek's § 1498 claim occurred in the United States. Under 35 U.S.C. § 154(a)(1), Zoltek's process patents confer upon it "the right to exclude others from using . . . throughout the United States, . . . *products* made by th[e patented] process" (emphasis added). Zoltek alleges that a violation of that right occurred in the United States, where the F-22 fighter planes are being made. It is in this country, not any foreign country, that products made from Zoltek's patented processes are incorporated into the Government's planes, in violation of Zoltek's right under § 154(a)(1) to "exclude others from using" such products "throughout the United States."

Where Zoltek's § 1498 claim "arises" for purposes of § 1498(c) thus depends on where *products* made from Zoltek's patented processes are used by the Government or its contractors, *not* where the patented processes themselves are used, which is the pertinent inquiry under § 271(a). To more fully appreciate the significance of this distinction between a claim based on use of a patented "process" and a claim based on use of "products" made from such a process, it is instructive to consider how Zoltek's allegations in this case would be analyzed under Title 35 if made against a

private party. As discussed above, because one or more steps of Zoltek's patented processes were performed overseas, under Federal Circuit case law Zoltek has no claim under 35 U.S.C. § 271(a), which defines infringement to include use of a patented invention "within the United States." Before 1988, that would have been the end of the analysis, and Zoltek would have no claim against a private party engaging in the same conduct as the Government and/or its contractor here. In that year, however, Congress added § 271(g) to Title 35 as part of the Process Patent Improvements Act of 1988. Congress did so specifically to close the "perceived loophole" arising from the growing practice of performing overseas one or more steps in a patented process, thereby avoiding infringement liability under § 271(a), and then importing the resulting products into this country to be used and sold in competition with the U.S. process patent owner. *See Eli Lilly and Co. v. American Cyanamid Co.*, 82 F.3d 1568, 1571 (Fed. Cir. 1996).

Section 271(g) resolves that problem in the context of private infringement actions. It does so by focusing on the resulting *product*, and declaring that infringement occurs when one "uses within the United States a product which is made by a process" covered by a U.S. patent. Use of the product domestically is thus an infringing act under § 271(g), regardless of where the patented process itself is performed, or "used." *NTP*, 418 F.3d at 1322. Accordingly, based on the same conduct Zoltek alleges in this case, a claim could be asserted against a private infringer under § 271(g).

As part of the same 1988 amendments, Congress enacted a conforming amendment to 35 U.S.C. § 154(a)(1). That provision, which describes the rights conferred by patents, now provides that "if the invention is a process" the patent covering that process grants to its owner "the right to

exclude others from using . . . throughout the United States . . . products made by that process." Congress did not also amend § 1498 at that time. There was no need to do so, because § 1498(a) did not contain the "within the United States" language contained in § 271(a).

Rather, Congress had previously added subsection (c) to § 1498 to address a very different problem. Prior to the addition of subsection (c), the literal language of § 1498 covered use (or manufacture) of a patented invention "by or for" the Government anywhere in the world. It was to reduce the potential for worldwide extraterritorial application of § 1498 that Congress enacted subsection § 1498(c). But § 1498(c) does not exclude claims based on the type of infringing conduct alleged here because Zoltek's claim is based on the conduct in this country related to the resulting products, not to the use of the patented processes themselves. Zoltek alleges that the Government and its contractor are using products made from Zoltek's patented process to make the F-22 fighter planes. That conduct – the use of products made from Zoltek's patented products -- occurs in the United States, where the F-22 fighter planes are being made. Moreover, that conduct violates Zoltek's right under the express terms of 154(a)(1) to exclude others from using "products made by th[e] process" throughout the United States. In these circumstances, there can be no doubt that Zoltek has suffered a legal injury in the United States and its § 1498 claim arises here.[4]

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[4] Deliberate or not, the same liability-avoiding overseas conduct that led Congress to enact § 271(g) is present in this case. Unless § 1498 is construed to apply to the Government's conduct here, there can be no doubt the Government (and its contractors) will have a powerful incentive to do exactly what has occurred – arrange for offshore performance of one or more steps of a patented *process*, and then import and use the resulting *product* in support of a government contract with impunity.

This construction of § 1498(c) is consistent with this Court's decision in *Sosa*, 542 U.S. 692 (2004), which addressed the identically-worded "foreign country exception" to the Federal Tort Claims Act. *See* 28 U.S.C. § 2680(k) (precluding liability under 28 U.S.C. 1346(b) for "[a]ny claim arising in a foreign country."). The Court held in *Sosa* that "the FTCA's foreign country exception bars all claims based on any injury suffered in a foreign county, regardless of where the tortious act or omission occurred." 542 U.S. at 712. In the present case, Zoltek's § 1498 claim is not based on an "injury suffered in a foreign country." It is rather based on an injury suffered in this country, arising from the use here of products made from Zoltek's patented processes. Section 1498(c) is therefore inapplicable.

As this Court recently emphasized in *Microsoft Corp. v. AT&T Corp.*, 127 S. Ct. 1746, __U.S.__ (Apr. 30, 2007), slip op. at 6, patent laws in particular should not be given effect beyond this country's borders. It therefore would be error to hold, as Judge Gajarsa suggested in his concurring opinion, *see* Pet. App. A17, 30-35, that performance of one or more steps of Zoltek's process patents in another country invokes § 1498(c), and thereby ousts the Court of Federal Claims of jurisdiction over a § 1498 claim. That analysis improperly focuses on the fact that the patented process is being used at least in part overseas, rather than on the allegation at the core of Zoltek's claim – namely, that products made by the patented process are being used in this country in violation Zoltek's rights under § 154(a)(1).

CONCLUSION

Zoltek's patent infringement claims against the Government should have been resolved on statutory grounds under § 1498. Under the language of that statute, Zoltek's allegations, if true, state a claim against the Government under § 1498(a) -- a claim that is not barred as arising in a foreign country under § 1498(c). Moreover, even apart from the Federal Circuit's incorrect statutory analysis of § 1498, it erred in holding that patents are not "property" subject to any of the protections of the Fifth Amendment. This Court should grant certiorari to correct the Federal Circuit's erroneous treatment of these important issues.

The writ of certiorari should be granted.

Dated: May 11, 2007

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